Revoking the Agri-Agra Allocation – a Callous Move

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We urge Congress to maintain the 25% credit allocation for agriculture and agrarian reform under PD 717.

Revoking this would run counter to the noble aims of the agrarian reform law (CARL) and the agriculture and fisheries modernization law (AFMA), even as it would negate the social justice and economic principles enshrined in our Constitution.

Such a move would be especially callous at this time when the agriculture sector badly needs credit, in the wake of the devastation wrought by the successive typhoons that recently hit our country.

Sentiment aside, such a move would amount to economic suicide; for, while we are sacrificing the interests of all other sectors by subjecting the country's lands to agrarian reform, yet we are not properly arming the peasantry with the means to optimally use such lands towards socio-economic progress for the entire nation.

Credit support is one of the most fundamental needs of the agriculture sector. Simply put, without credit, farmers would have no means by which to buy seeds, fertilizers, animal feeds, tools, machinery and many other inputs.

For Congress to ignore that need would mean that the terms "food security", "sustainable development", "agro-industrialization" and "global competitiveness" mentioned in our laws, or "social justice" that permeates our entire Constitution, are nothing more than bare motherhood statements devoid of substance.

Bangko Sentral statistics show that even with the 25% mandatory allocation, loans to the agriculture sector continue to be among the lowest priorities of the banking sector.

For instance, for the first half of this year, agricultural loans granted by thrift banks averaged only 6.7% of total outstanding loans, for rural banks it is 32.9%; while for commercial banks it is only 10.7%.

There is therefore ample cause to fear that without the credit allocation, the agriculture sector would be further crowded out of the credit scene – a situation which PD 717 laudably sought to remedy.

The banking sector's concern about possible losses from non-repayment of agricultural loans may be effectively addressed in some other ways, for instance:

- Loans may be extended not directly to individual farmer-borrowers, but rather to farmers cooperatives, subject to certain equitable pre-conditions and penalties for non-repayment; and

- Government guarantees on 50% of the loans, similar to that of the Home Guaranty Corporation cover on housing loans, coupled with a corresponding income tax exemption for the lending bank.

In the ultimate analysis, leaving credit allocation to so-called market forces may not be appropriate under our present banking laws and credit policies that foster lending practices favoring the rich to the utter prejudice of the poor.

We remind our lawmakers of Section 1 of Article XII of our Constitution, which sets forth the goals of the national economy as, among others, “a more equitable distribution of opportunities, income and wealth”; Section 6 of Article XII which declares that the operation of economic enterprises is “subject to the duty of the State to promote distributive justice and to intervene when the common good so demands”; and Sections 4 and 5 of Article XIII which mandate the State to “promote industrialization and full employment based on sound agricultural development and agrarian reform” and “provide support to agriculture through appropriate technology and research, and adequate financial, production, marketing and other support services.”